S&MM
SALES & MARKETING MANAGEMENT

AN S&MM SPECIAL SECTION
The co-op connection
Page 45.

JULY 6, 1981
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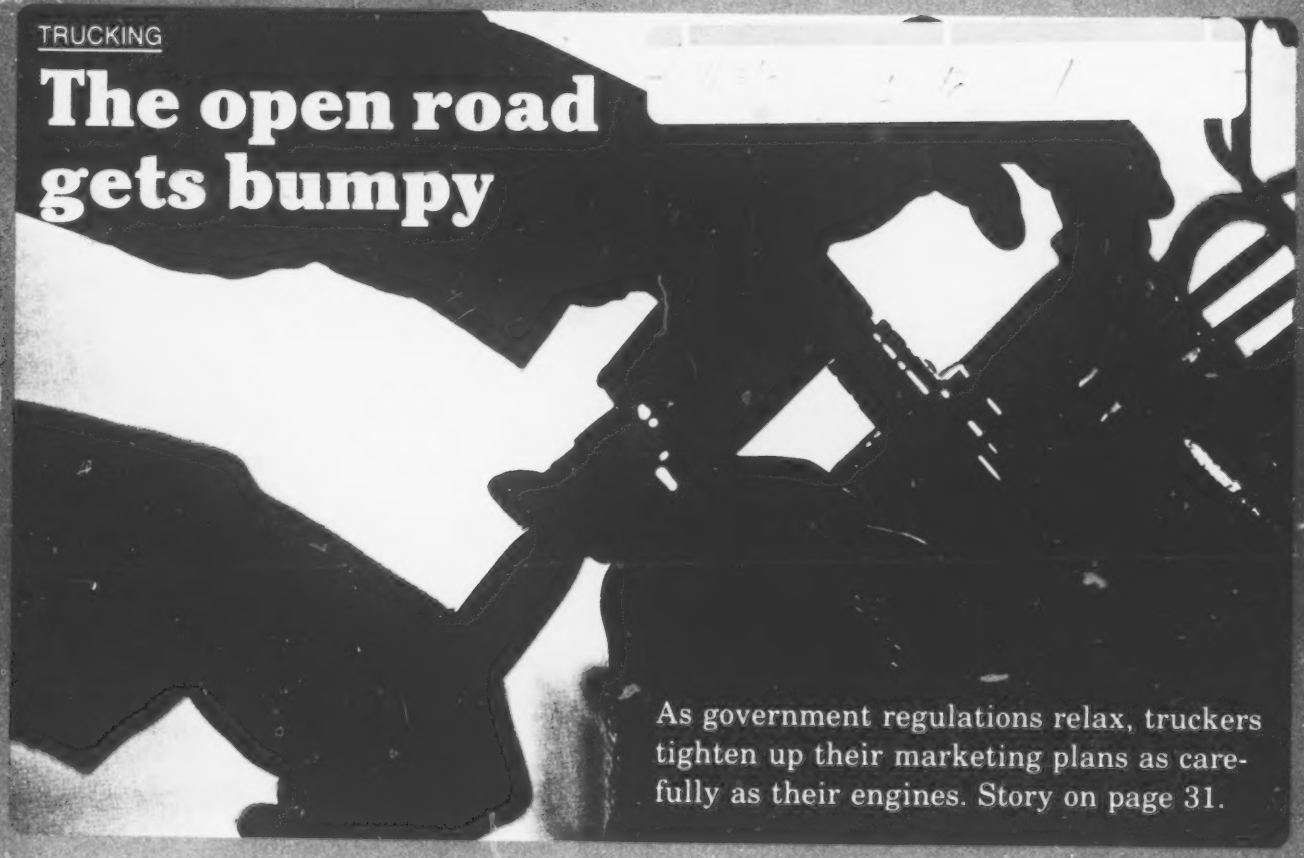
TRUCKING

The open road gets bumpy



As government regulations relax, truckers tighten up their marketing plans as carefully as their engines. Story on page 31.

SALESMANSHIP PLUS

Selling water by the river

Page 35.

Inside Out

Hammarplast makes its move. The plastic-housewares marketer streamlines its product line in just one step to give itself an identity. Page 14.

Entrepreneurs. Claiming that the major breweries have let him down, a New Orleans distributor brings out his own beer. Page 17.

Incentive travel. More luxurious trips have always been popular with salespeople. Now they're popular with management. Page 18.

The Computer in Marketing. S&MM revives its popular series. First installment: How sales engineers at Westinghouse triple bookings with an electronic sales-information system. Page 38.

S&MM Marketgraph. What's happening with those post war Baby Boomers? For one thing, more of their households have two or more full-time workers. For another, they like to share buying decisions. Page 41.

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What's Coming Up

1981 Survey of Buying Power. Featured is the federal government's newly defined list of U.S. metropolitan areas, along with their demographic and socioeconomic details. Also, updated population and household data from the 1980 census. July 27.

What top executives earn. S&MM'S annual compensation survey this year packs a surprise about how well sales and marketing executives are doing. Also, for the first time, we frankly ask them if they really earn their money. Aug. 17.

An S&MM Special Section: Recruiting. The all-important interview—why do so many misuse it, either by missing the real values of the potential hire or actually turning him or her off entirely? Case histories of companies with effective interview programs and how to interview the "minority" recruit. Aug. 17.

Gillette. New products, led by Silkience shampoo and conditioner and Dry Idea deodorant, are turning the once-stagnant Personal Care Div. into a major source of Gillette's profit gains. Aug. 17.

VOL. 127, NO. 1

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ABP ABC BPA ABC

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AN S&MM SPECIAL SECTION

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Cover photo courtesy of International Harvester

proven they don't know how to market. I need Coy International to survive."

Kaye is pinning his hopes of success to selling other beer distributors on the product, especially those who handle Schlitz and Pabst. So far, he claims to have coverage in much of the area from east Texas to Georgia; he'll soon be entering the Midwest.

To make the product live up to its "international" name, Kaye has also contracted with Union de Brasseries, one of France's largest beer marketers, for distribution of Coy International in France (for more about competing in Europe, see page 35). As part of the agreement, Kaye has exclusive distribution rights for such Union de Brasseries brands as "33" and Panach in the U.S., which Kaye finds helpful in his drive to recruit distributors in this country.

Industry observers give Kaye a healthy chance of succeeding with Coy beer, but he may yet run into trouble from Schlitz and Pabst, which still account for a substantial portion of his and the other distributors' businesses. So far, the word from Schlitz and Pabst: "No comment." S&MM

MARKETS AT A GLANCE

A significant turn for blacks

Twelve states now have more than one million black consumers, up from nine in 1970, says the 1980 census. Significantly, three of the five states with the biggest gains are in the South, suggesting a reversal of the exodus to northern cities that was triggered by the lure of defense work during World War II. Close to two-thirds of all blacks live in the 12 states, a concentration that makes it relatively easy for marketers to reach them. The actual number of blacks in the leading states is probably slightly higher than census totals because, as the Population Reference Bureau notes, "the 1980 undercount for blacks may be in the 4.5%–5.5% range vs. an estimated 7.7% in 1970."

State	1980 Black Pop.	% of State Population 1980	1970	% Gain 1970–1980
New York	2,401,842	14%	12%	10.7%
California	1,819,282	8	7	29.9
Texas	1,710,250	12	13	22.2
Illinois	1,675,229	15	13	17.5
Georgia	1,465,457	27	26	23.4
Florida	1,342,478	14	15	28.9
North Carolina	1,316,050	22	22	16.8
Louisiana	1,237,263	29	30	13.8
Michigan	1,198,710	13	11	21.0
Ohio	1,076,734	10	9	10.9
Pennsylvania	1,047,609	9	9	3.1
Virginia	1,008,311	19	19	17.1
Total	**17,299,215**	**13%**	**13%**	**17.9%**

Source: Census Bureau, *Final Population and Housing Unit Counts*, Series PHC80-V.
[1] Sales & Marketing Management.

INCENTIVE TRAVEL

Send them in style

Users of incentive travel are opting for more lavish trips for their award winners. While the average cost of an incentive trip for two has stayed at about $1,500 since 1975, the segment of the incentive travel market buying trips that cost $2,000 or more is growing significantly. A survey conducted by the Society of Incentive Travel Executives (SITE) shows that more than $200 million will be spent this year on trips costing $2,000 or more, compared with just $50 million in 1975.

The survey, released last month at a SITE seminar in New York City, also shows:

- Along with the growing popularity of the over-$2,000 trip is increased interest in the under-$500 trip, usually a long weekend at a nearby resort with the winner paying the transportation cost.
- The average length of an incentive travel program exceeds that of a program offering merchandise, both in the planning stage and in the actual qualifying time. A typical travel program runs almost one year—13 weeks for planning and promotion, 37 weeks for qualification sales—compared with anywhere from a few weeks to several months for a typical merchandise program.
- About 56% of all incentive travel dollars are now spent on foreign travel, with Hawaii and Puerto Rico the strongest domestic draws.

The survey, which polled about 35,000 marketing executives, also indicates that the incentive travel industry will top $1 billion in sales this year; 10 years ago, incentive travel gen-

erated less than $400 million. That may explain why incentive firms, which have had the lion's share of travel-incentive packages sold to businesses to themselves, are beginning to feel competition from travel agencies. Indeed, more than two-thirds of those who were at last month's seminar were travel agents.

TRADE SHOWS

Electronics: Looking for the winners

A technological bazaar, the annual Consumer Electronics Show is always a frantic scene as manufacturers, dealers, and retailers wheel, deal, and entertain in a frenetic search for the next hot products. The cornucopia of personal electronics displayed by exhibitors from the $10.1 billion industry in Chicago's McCormick Place last month pointed to these major product trends:

♦ **Do-it-yourself TV.** Poised as sentinels outside the exposition center were 15 pizza-shaped satellite receivers. With (1) the number of satellites expected to double in the next two to three years, (2) prices of receivers inching downwards to the $3,000 level, and (3) Comsat's Satellite Television Corp. predicting it will beam TV programs directly into 7 million homes by 1990, marketers of the "dishes" are beginning to position themselves to get in on the ground floor. Proof of that: the growing interest among marketers in setting up distributor networks.

♦ **Large-screen TV.** Several of the major color TV-set makers, including frontrunners Zenith and RCA, have recently moved into large-screen sales, with the result that the total units sold could top 100,000 this year vs. 50,000–60,000 last year. Hyping sales are improved picture quality and somewhat lower prices (but still fancy at $2,000–$3,000), and the growing conviction that owners of videocassettes and videodiscs won't be happy viewing movies and sporting events on anything except large TV screens.

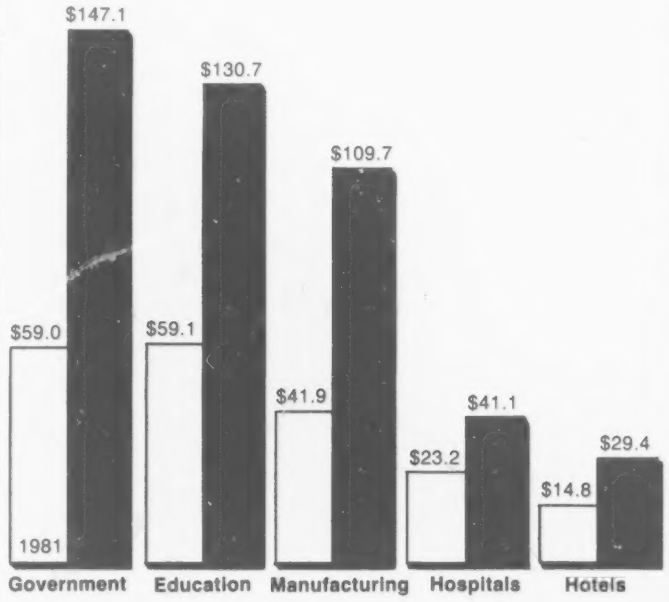
♦ **Videodiscs.** The widespread retailer dissatisfaction with the pace of videodisc sales was clearly evident at the show, but RCA insists it will

S&MM SALESGRAPH

Energy: Saved by the system

Shipments of computer-based systems for energy management will more than double between 1981 and 1985, from $300 million to $680 million, says Quantum Science Corp., New York City. Fastest-growing market segment will be manufacturing, up 162%, but government will replace education as the biggest sector by mid-decade. The hottest trend, says chairman Mirek J. Stevenson, will be systems integration that links the automatic control of energy usage to other functions such as factory data collection, security, and inventory control.

Energy management systems (Shipments $ Mil.)



Source: Quantum Science Corp., *Maptek Worldwide Energy Opportunities Program.*
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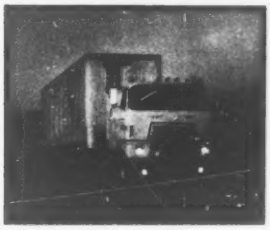
On the road to deregulation, truckers ran smack into the recession. For some it may be the end of the line, but many are selling their way out of the jam.



The open road gets bumpy

By JOHN MUTTER
Associate Editor

Truckers can no longer just keep on trucking. As they highball into the era of deregulation, competition compels them to sell harder than ever even as new opportunities proliferate. So far, no one is talking about spendthrift advertising or fancy sales promotions, but industry leaders are making radical changes in the way they approach the market.

One example is the trend toward contract carriage, an arrangement whereby a carrier handles all of a manufacturer's internal shipping, often painting its trucks with the client's name and colors. "Under old ICC rules, we were limited to contracting with eight customers to haul their intracompany freight, so we had to be careful to provide that service to growing, high-volume companies," says Howard Doty, vice president, major customer service, at Ryder System's Distribution Systems Div. "Now we can go after any size customer." Other large truckers speeding into contract carriage include McLean Trucking, Carolina Freight, and Leaseway Transportation.

The ICC's shackles also have come off in other areas since former President Carter signed the Motor Carrier Act of 1980 last July 1. For example, truckers no longer have strictly enforced limitations on geographic coverage, and rate restrictions are being relaxed (see box, page 32). As the regulations that limit how they market their services are lifted, truckers are emerging from a regulatory cocoon, much as the airlines did in 1978.

There's one major difference, however. Richard Staley of the American Trucking Assns. (ATA) puts it simply: "Airline deregulation started in the middle of a boom." ATA figures show that industry revenues for 1980 were $43 billion, only 4% above 1979's level. Actual volume dropped 7.4%, to 249.1 billion ton-miles from 269.1 billion ton-miles in 1979. Moreover, the state of the economy doesn't promise a quick pickup. The recession is still very strong in manufacturing, par-

How the top truckers line up

The top 10 trucking companies in the U.S. reported a combined gain in revenue of 4%, to $5,492.4 million, in 1980 over 1979, closely paralleling the industry's growth as a whole. Total truck revenues for 1980 were $43 billion. Thus the top 10 represent about 13% of the industry.

	Operating revenue ($ Mil.)	
	1980	*1979*
Roadway Express	$1,155.0	$1,096.0
Consolidated Freightways	936.3	849.4
Yellow Freight	716.5	805.3
McLean Trucking	590.4	540.1
Ryder Truck Lines	586.6	560.6
Pacific Intermountain Express	408.1	403.0
Spector Freight System	314.1	316.2
Smith Transfer	281.0	253.3
Arkansas Best	262.5	229.0
Overnite Transportation	241.9	229.4
Totals	**$5,492.4**	**$5,282.3**

Source: American Trucking Assns. figures taken from reports filed with the Interstate Commerce Commission.

"Contract carriage is a hot topic for us. We think the marketplace wants a lot more of it."

—Steve Nieman, director, corporate planning, Leaseway Transportation.

ticularly trucking's bread and butter: autos, steel, and heavy machinery. A spokesperson for Consolidated Freightways, San Francisco, points out that while GNP figures show that the economy may be picking up, the figures are misleading. "Most of the growth is in service sectors of the economy," he says, "and that doesn't mean much to truckers."

Indeed, Louis A. Marckesano, an analyst with Janney Montgomery Scott, Philadelphia, describes the industry as "chaotic." Among the reasons for the turmoil:

♦ Small owner-operators, encouraged to go into business by deregulation, have taken much of the truckload (TL) shipment business away from the larger carriers.

♦ Severe price competition, allowed under new ICC rules, has struck the more profitable less-than-truckload (LTL) segment of the business. Because LTL carriage requires a substantial investment in terminals, industry observers had thought LTL would be one area to remain relatively free from the inroads of new truckers. It hasn't.

♦ Sharp drops in truckers' earnings as a result of discounting in a declining market are expected to lead to a spate of liquidations and mergers.

♦ Many small shippers off the beaten track fear that service will decline and they'll have to pay more for it.

Still, many trucking companies can't wait to get into new businesses. Some are expanding their LTL terminal networks. Others are experimenting with new kinds of service. Relaxed rules for nontrucking companies that have private fleets have made them a strong sales target for truckers providing leasing and consulting services. Even the worried small shippers are learning to band together to keep service up and prices down. Says analyst Marckesano, "Instead of artificial controls, the industry will be regulated by the marketplace. It will be very different from what we had until last year."

For truckers going after contract carriage, there's even more frosting on the cake. In the era of regulation, contract carriers usually had to use equipment and personnel solely for a single contracted customer. Thus most set up subsidiaries with their own names and were limited in the ways they could use those resources. Under deregulation, carriers need not use "dedicated" equipment and personnel. Ryder's Doty notes that more than 75% of the division's revenues currently comes from dedicated contract carriage. Now, however, he foresees "much more growth" in the nondedicated segment. "Because we can handle freight from several companies with the same equipment, we can achieve an economy of scale," he says.

Leaseway Transportation, Cleveland, which already does over $500 million in contract carriage, is expanding those op-

The ICC: Forgotten but not gone

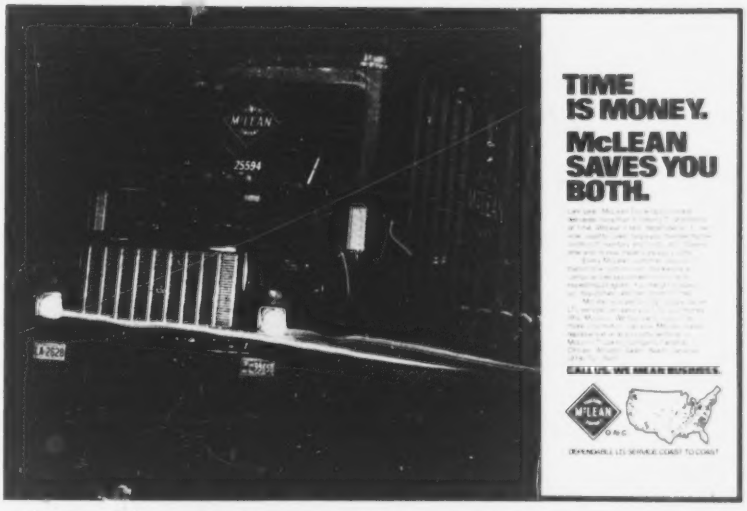
Despite deregulation, the Interstate Commerce Commission (ICC), created in the 1880s to bring order to the transportation industry, is not closing up shop any time soon. As E.M. Robins, director of advertising at McLean Trucking notes, "We call it 'reregulation.' The ICC is still very much with us."

In fact, deregulation in some areas will be gradual. For example, carriers now may change rates only 10% above or below rates prevailing under the old regulations. An ICC decision on the future powers of its rate bureaus is pending.

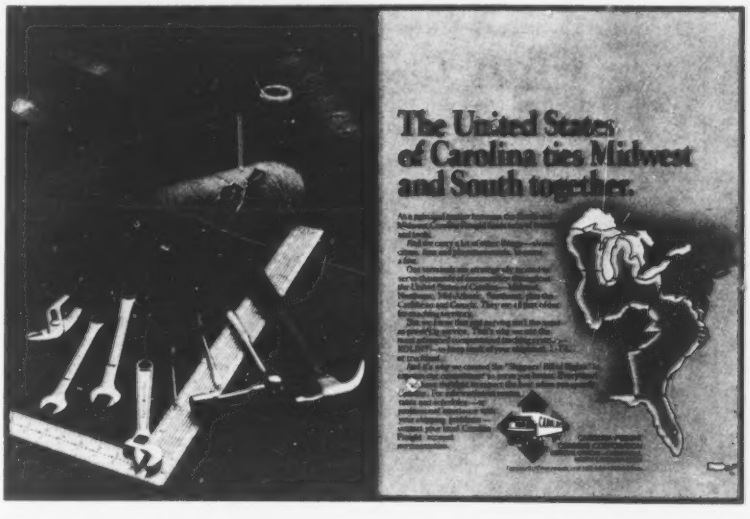
The ICC has yet to decide whether rules prohibiting carriers and others from leasing owner-operator trucks to company fleets will be lifted. Such a change would give lessors more flexibility in management of private fleets; owner-operators would also be able to lease their services to private fleets independently.

The commission's view of these and other issues is clouded, however, by the change in administrations. Three commissioners who have been strong supporters of deregulation, Darius Gaskins, Marcus Alexis, and Thomas Trantum, have either left or plan to leave soon. President Reagan has publicly criticized the fast pace of deregulation, and his appointee as chairman, Reese Taylor, is expected to slow down the process. Specifically, Taylor has criticized the ease with which new carriers can get into the business, lax enforcement of ICC rules, and a loosening of the requirement that carriers must serve any shipper that requests service.

erations. The Signal Delivery Div. of its Distribution Systems Group, which has provided contract carriage for Sears and Whirlpool, has added such new customers as Avon Products, Household Finance's City Products subsidiary, and City Products' Ben Franklin Variety Stores subsidiary, which previously used other contract carriers. Steve Nieman, director, corporate planning, at Leaseway, notes that, "Contract carriage is a hot topic for us. We think the marketplace wants a lot more of it."



Ads for McLean Trucking and Carolina Freight Carriers emphasize service, territory coverage, and computerized control systems. They run in such magazines as "Traffic World" and "Traffic Management."



Contract carriage isn't for everyone, however. The nation's largest carrier, Roadway Express, Akron, OH, has expanded so that its LTL terminal network now covers the West Coast as well as the eastern part of the country. Roadway, which, contrary to industry practice, owns its trucks outright, could finance new operations, but Doug Wilson, corporate secretary, says the company intends to continue specializing in LTL shipments. "We tell our customers that we can provide service as good as contract carriage with our LTL system," he says. "It can be very competitive hauling freight and may be less expensive."

Thus Roadway's sales force tries to identify companies that now use contract carriers whose freight requirements could be handled by the LTL network. Another major pitch: if shippers change handling and scheduling procedures so that Roadway costs go down, the company shares a portion of that reduction with customers. Wilson notes that Roadway does little advertising of these selling points. "We rely on personal contact," he says.

McLean Trucking is keeping its LTL and contract carriage operations separate. The company launched a subsidiary, Salem Contract Carrier, in late 1979, "as a result of the impending Motor Carrier Act," says E.M. Robins, director of advertising. Salem, a dedicated contract carrier, now hauls freight from K mart's Charlotte, NC, regional distribution center to K mart stores in 24 states. McLean's Special Commodities Div. was recently expanded and renamed PaceSetter Transportation. PaceSetter contracts with shippers to haul truckload shipments of such specialized goods as flat steel and air compressors. Unlike Salem, PaceSetter subcontracts with owner-operators to haul the freight in their own equipment.

To get the word out, especially about PaceSetter, McLean has run a series of ads in such trade magazines as *Traffic Management*, *Traffic World*, and *Purchasing*. And even though McLean's 400 salespeople still have their "first and foremost" responsibility to the general carriage side of business, they also spot leads for PaceSetter. Robins adds that McLean plans eventually to set up additional dedicated contract-carriage subsidiaries like Salem.

A leader in price competition is Overnite Transportation, Richmond, VA. It has a straight, across-the-board 10% discount on all class-rated LTL interstate traffic that Bill Whitener, vice president, sales and marketing, says has been a boon. Like most carriers, Overnite has lost truckload tonnage,

Arkansas Best's David Stubblefield discounts reluctantly.

Transcon's Allen Foy reports a rise in tonnage so far this year.

but LTL tonnage has gained to the point where it accounts for about half of Overnite's annual tonnage compared with about 40% last year.

Some industry experts question the wisdom of discounting, however. Merrill Lynch's Fischer calls discounting a vicious cycle. He says, "The companies get desperate to keep traffic so they cut rates, which cuts into profit and makes them even more desperate to keep traffic." David Stubblefield, senior vice president, marketing, at Arkansas Best, Ft. Smith, AR, echoes the reluctance of many carriers who are discounting when he says, "We do this only because we have to."

The shaky finances of some are a boon to others. Tiger International, a major air freight carrier, Los Angeles, has bought several medium-sized carriers at what are generally considered bargain prices. Dohrn Transfer, Rock Island, IL, was acquired earlier this year and merged into Tiger subsidiary Hall's Motor Transit, Mechanicsburg, PA. The company just took control of Warren Transport, Waterloo, IA, which adds a fleet of 1,200 trailers and 600 owner-operators specializing in shipping farm equipment nationally.

But few others plan acquisitions. McLean Trucking's Robins says, "There's been such a relaxation of regulation for extending operating authorities that the rationale of buying other companies to expand your own company's geographic coverage is gone. It's just as cost-effective to expand our own operations."

With a spate of liquidations certain, small businesses in out-of-the-way locations fear that they'll be left waiting at the shipping dock. They also cite ICC rules changes that no longer require shippers to service particular towns and cities. But Arkansas Best's Stubblefield doubts that any shippers will have trouble finding carriers to haul their goods. He says, "Just because a city may be small doesn't mean that it will lose service." He cites the town of Pocola, OK (pop. 2,000), which is just over the border from Arkansas Best's Ft. Smith headquarters. "There's no terminal in Pocola, but the town has no problem finding carriers. A few local carriers run over from Ft. Smith and find enough business. They don't discount, but they do provide the service."

Service is always available for those who are able to pay, of course. Transcon Lines, El Segundo, CA, has carved out a marketing niche since November by offering scheduled LTL shipments from its 100 terminals across the country. With scheduled shipments, shippers with a small load do not have to wait for Transcon to find other LTL shipments to make a full truckload before it sends their shipments out. President Allen Foy says, "We've paid a premium for light schedules at a prescribed time every night." But Bob Flanegin, senior vice president, marketing and sales, comments: "We're up and the industry's down. That's the proof of the pudding."

Sales skills are becoming more important in the newly deregulated trucking world. Ryder System believes it has an edge getting contract carriage precisely because it has experience leasing trucks to companies for their in-house fleets, an area that has always been relatively free of ICC regulation. Gordon Bingham, director, marketing services, doesn't expect a net increase in in-house leasing. He says, "Smaller nontrucking companies will be encouraged by deregulation to expand their private fleets, but larger private-fleet companies will find they have strength to negotiate with for-hire companies. They'll reduce their private fleets where it's economical and use them more as a security blanket."

The Distribution Engineering Group is another major sales resource for Ryder's contract-carriage segment. The Group, which formerly helped companies using for-hire carriage set up their own private fleets, now provides technical expertise on how a customer can best meet its transportation needs under deregulation. Says Bingham, "They're consultants, both to our own sales force and to customers."

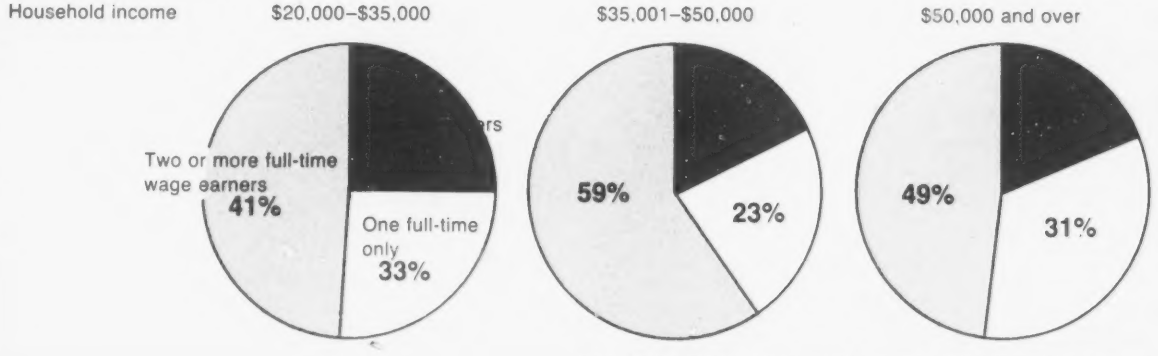
Such innovations as Transcon's guarantees and Ryder's consulting services were largely unheard of before deregulation. As truckers enter a brave new world free of much of the regulation—and protection—of the ICC, it is likely that marketing strategies of this sort will play an important role in determining whether a company stays on the highroad to profits or is forced to eat the dust of its more resourceful competitors.

S&MM MARKETGRAPH

Togetherness among the baby boomers

Despite the egocentric Me Generation label hung on them, the post war baby boomers have "a deep commitment to share experiences with others." That's one of the startling findings of a study of the baby-boom generation by Louis Harris and Associates, commissioned by *House & Garden* magazine. Says Harris: "A basic given among them is that shared experience is the heart of what living is all about." Admittedly, Harris probed only that slice of the market that the magazine is interested in: ages 25 to 40, college educated, income $20,000 and up. Within this market segment, sharing affects work (45% of the households have two or more full-time wage earners), buying decisions (72%) and household chores. Significantly, 75% of the women have jobs, vs. the 48% ratio for all adult women.

Sharing work . . .



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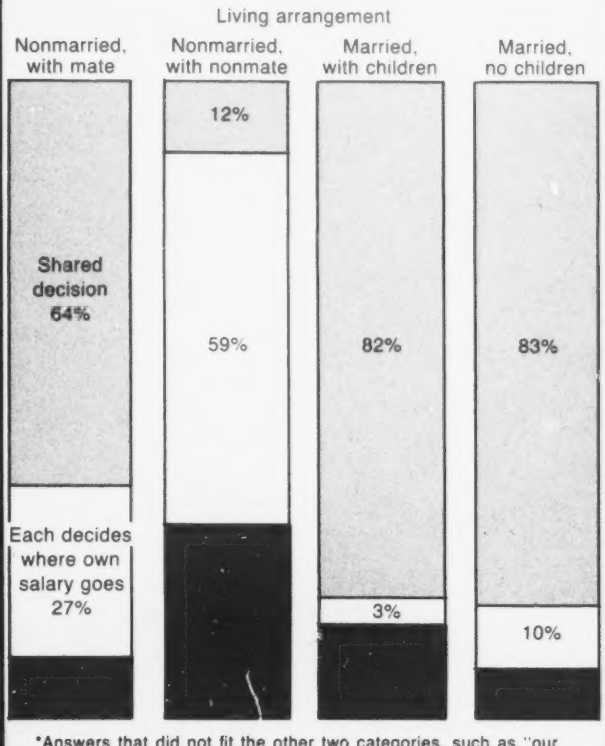
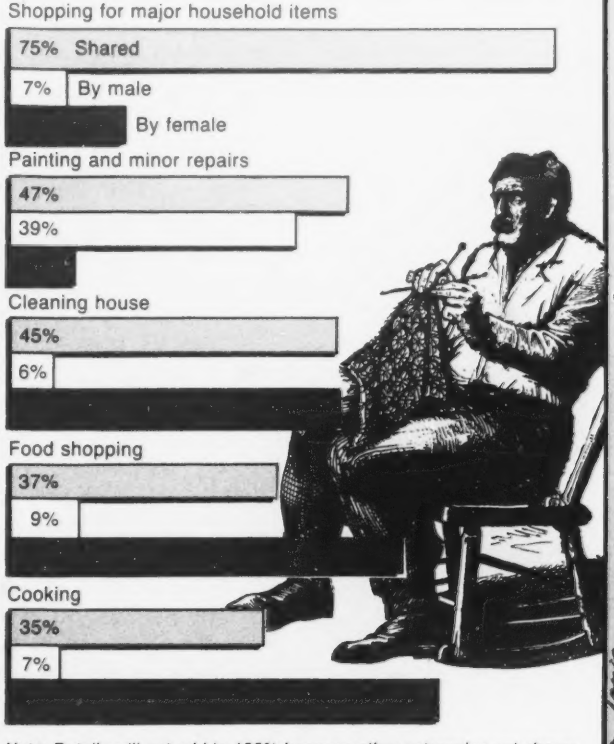


*Answers that did not fit the other two categories, such as "our parents decide" or "don't know."

. . . and household chores



Note: Details will not add to 100% because other categories not shown.

Source: *House & Garden, How The Baby Boom Generation is Living Now*, study by Louis Harris and Associates, Inc.
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